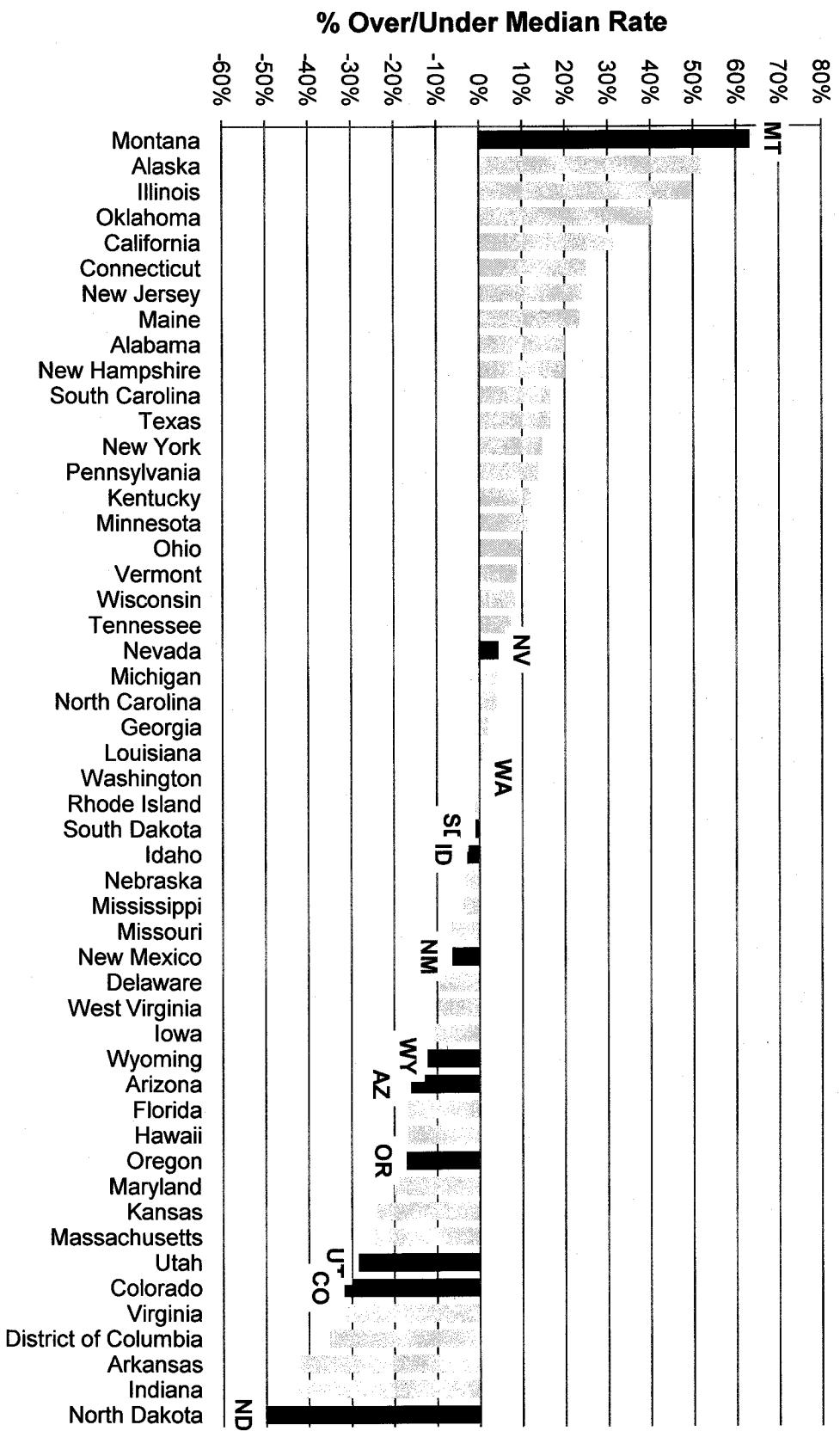


HOUSE BILL 334

EXHIBIT 1
DATE 1/31/2011
HB 334

MT Workers Compensation Rates Highest In Country



Montana now has the highest rates in the nation.

*2010 Oregon Workers' Compensation Premium Rate Ranking Summary

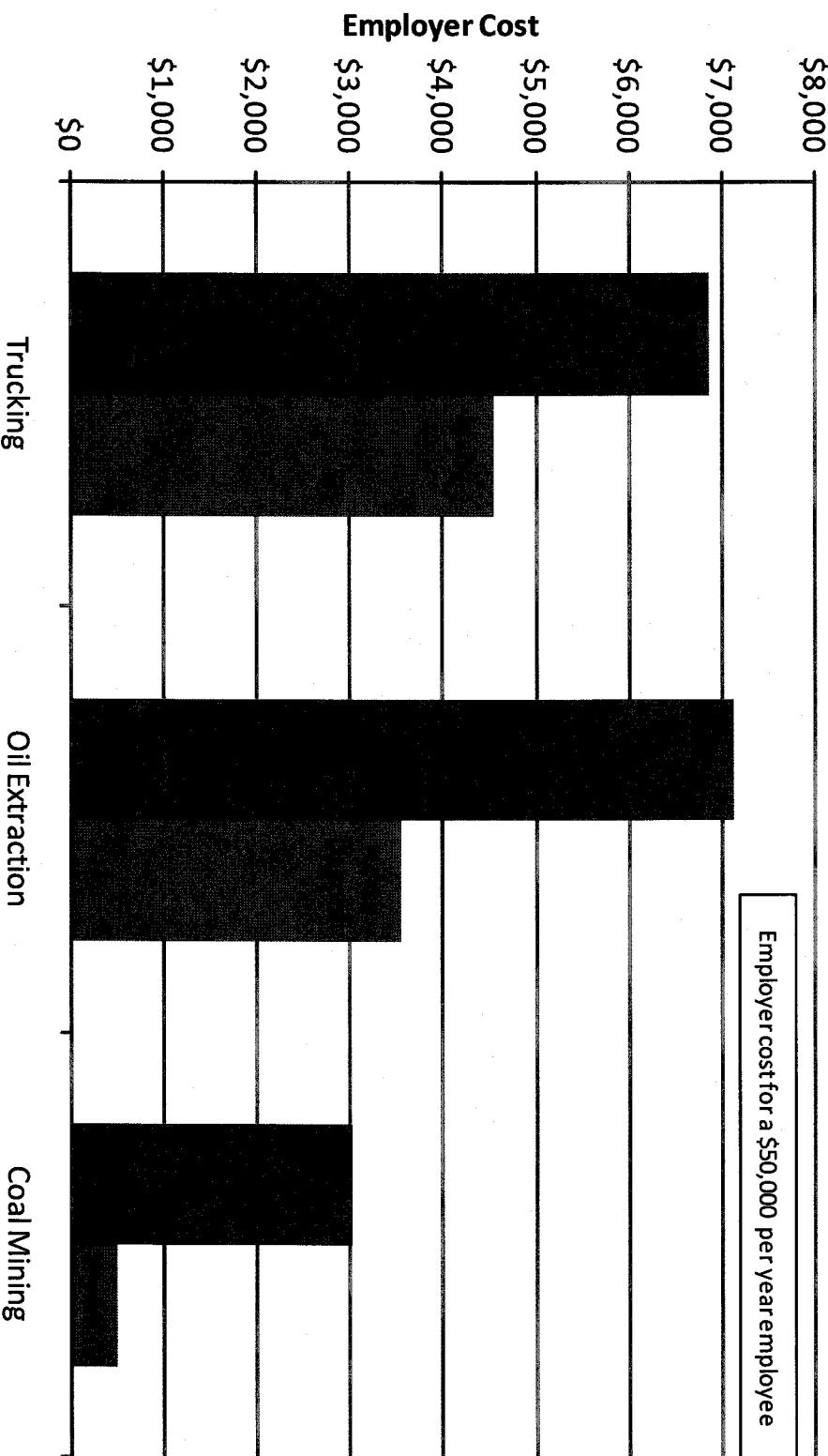
Assumed Payroll

\$50,000

Industry	Montana	Comparator
Trucking	\$6,859	\$4,545
Oil Extraction	\$7,127	\$3,541
Coal Mining	\$3,030	\$510

Employer Workers Comp Costs: Montana vs Neighbor States

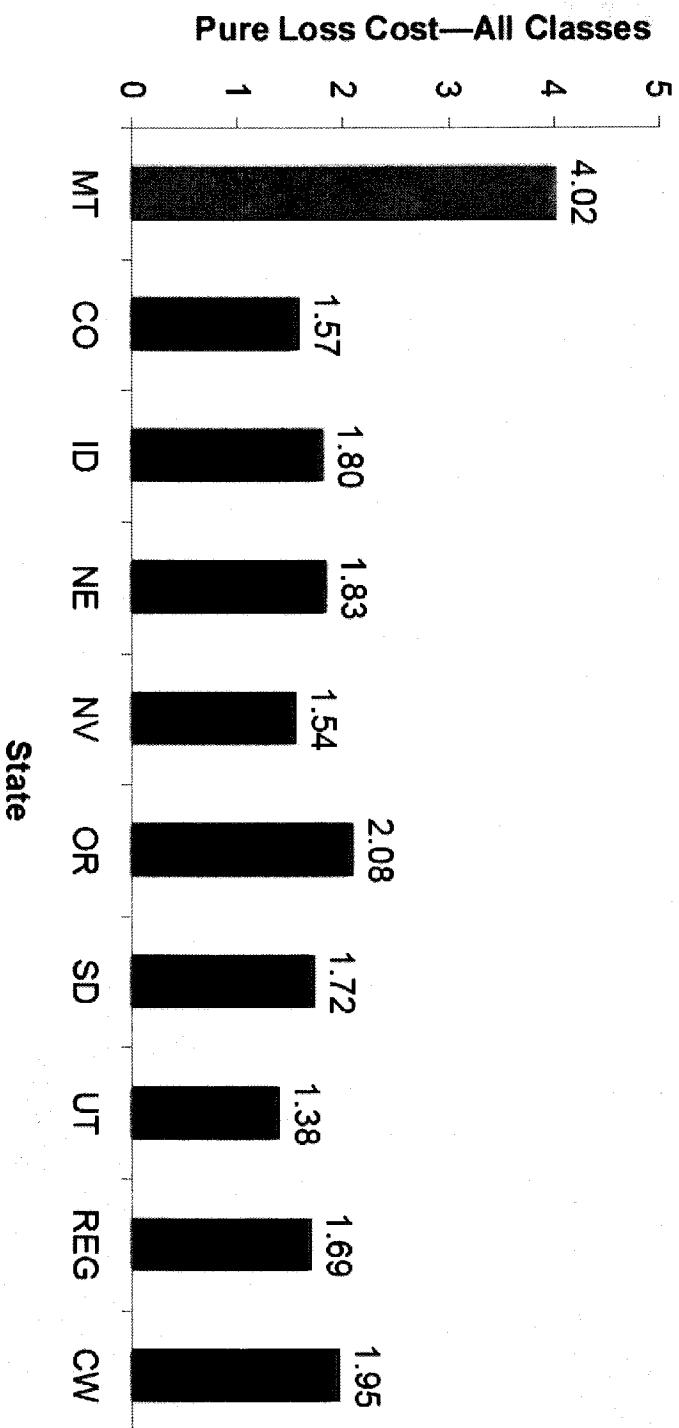
Employer cost for a \$50,000 per year employee



■ Montana ■ Regional States

Why Are Montana's Workers' Compensation Costs So High?

Average Voluntary Pure Loss Costs Using Montana's Payroll Distribution



Based on the latest NCII approved rates and loss costs in the various states

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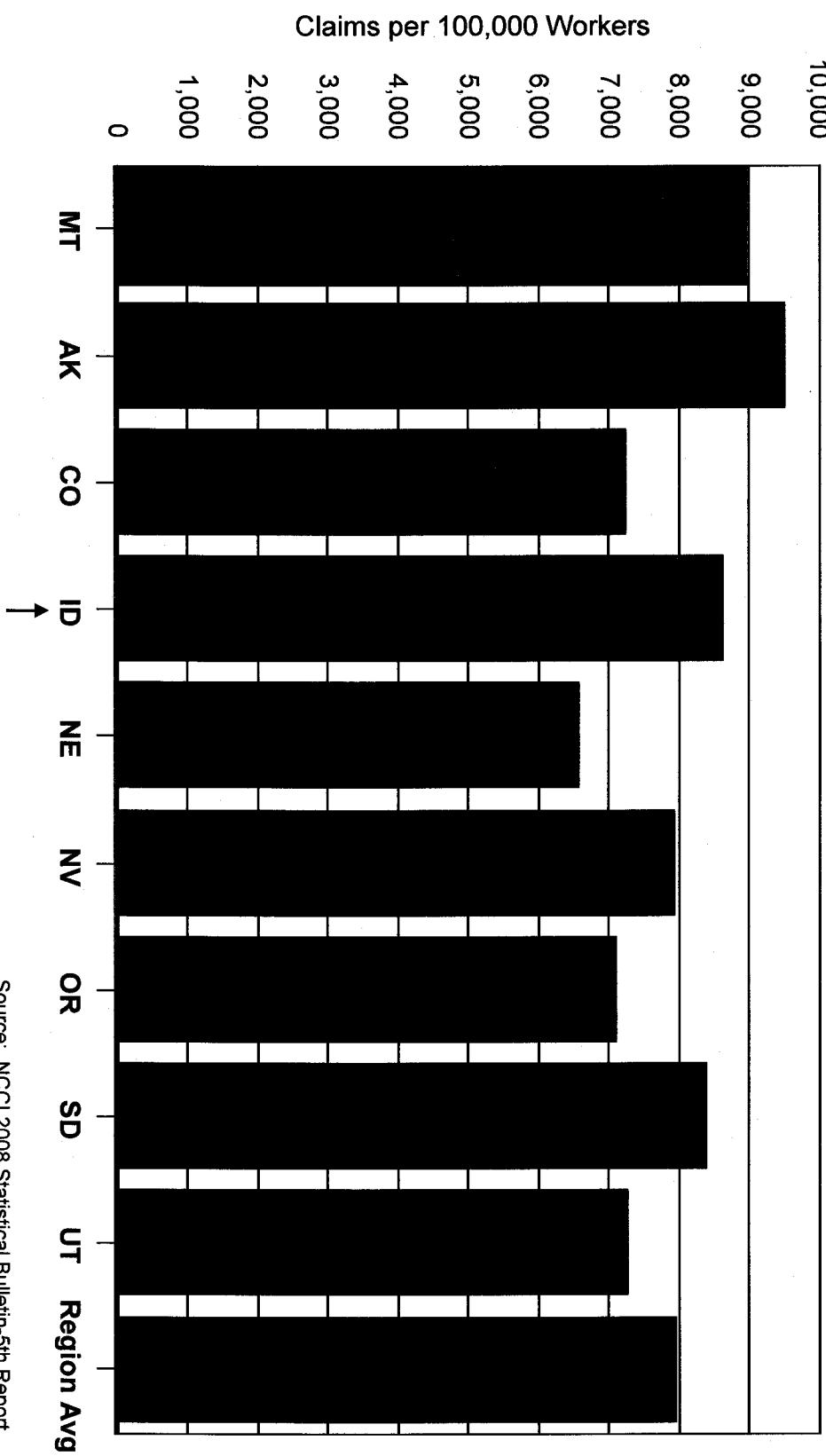


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This slide compares Montana's loss costs to neighboring states.
Montana's benefit costs are twice as much.

Workers Comp Claim Frequency

Comparable States

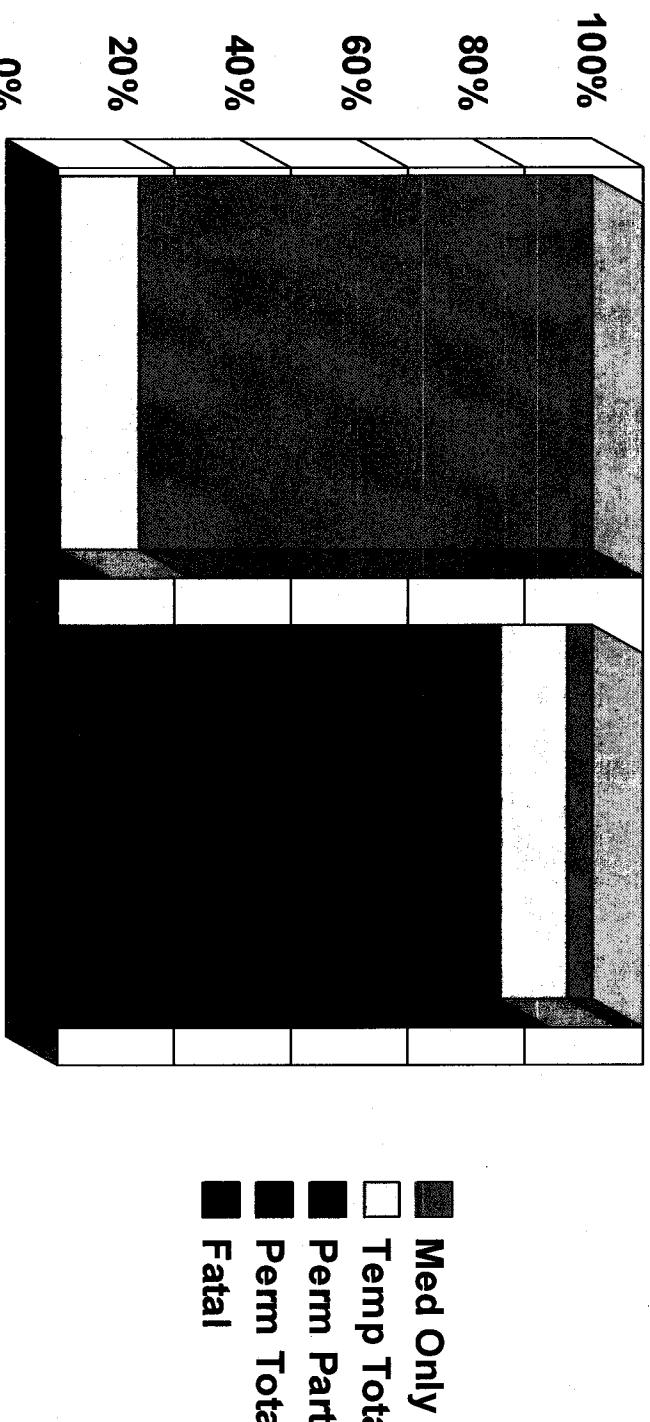


Source: NCCI 2008 Statistical Bulletin-5th Report

Montana's claim frequency is somewhat high, but not by enough to explain why Montana's costs are more than double these neighboring states.

Claims & Loss Costs Per 100,000 Workers by Disability Type

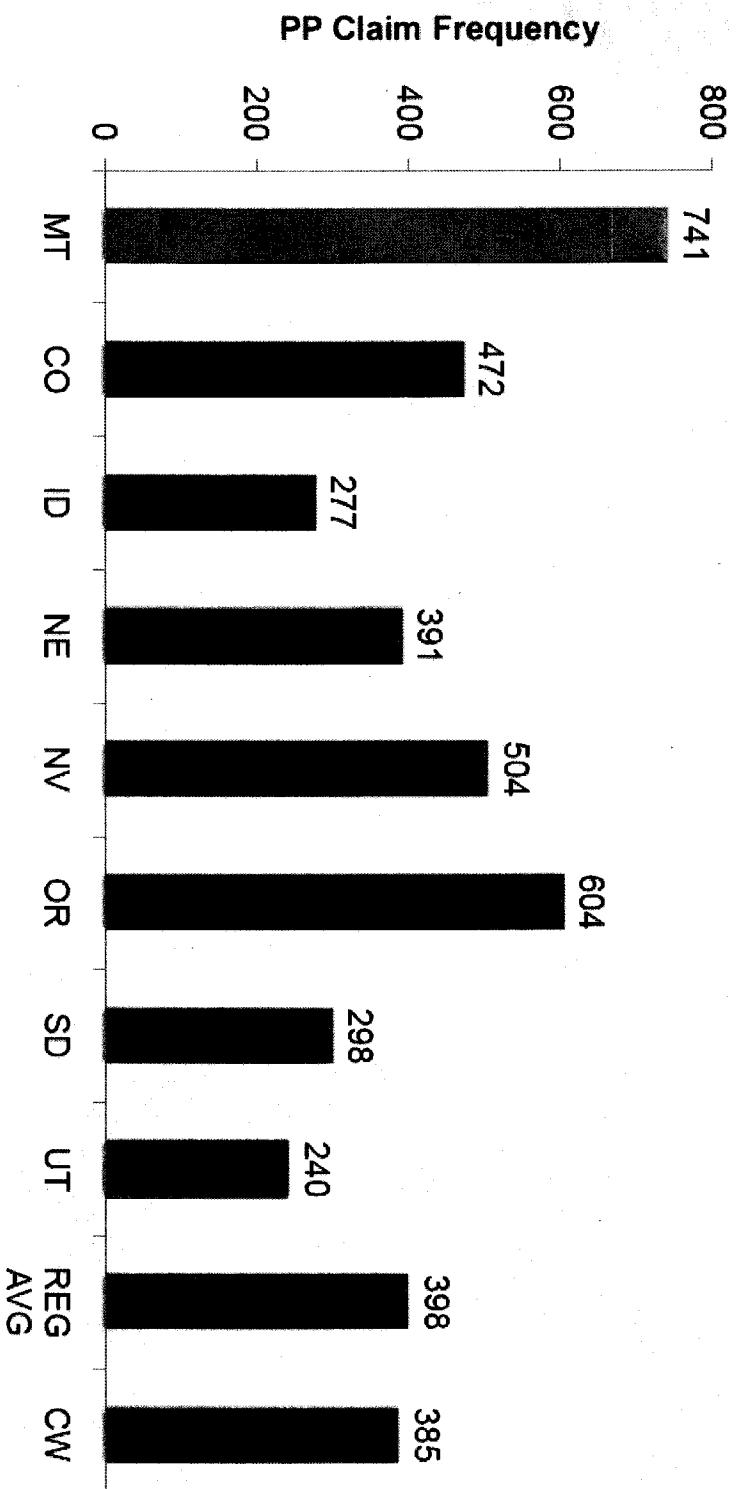
Based on NCCI Statistical Bulletin



Permanent partial disability claims are 9% of the claims, but account for 69.4% of the cost.

Average Frequency of Permanent Partial Claims ...

Permanent Partial Frequency per 100,000 Workers



Based on NCCI's WCSP data

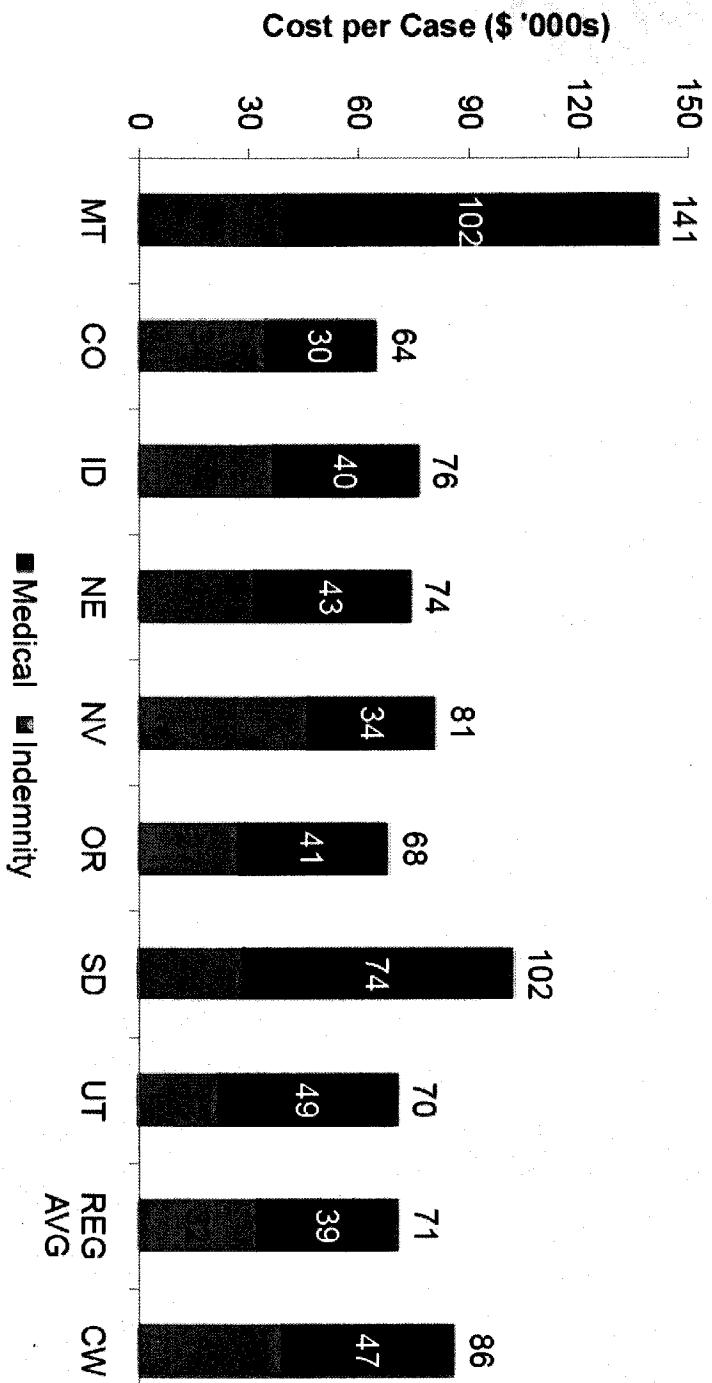
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Montana has more permanent partial disability claims than other states.

Permanent Partial Total Average Cost per Case ...



Based on NCCI's WCSP data

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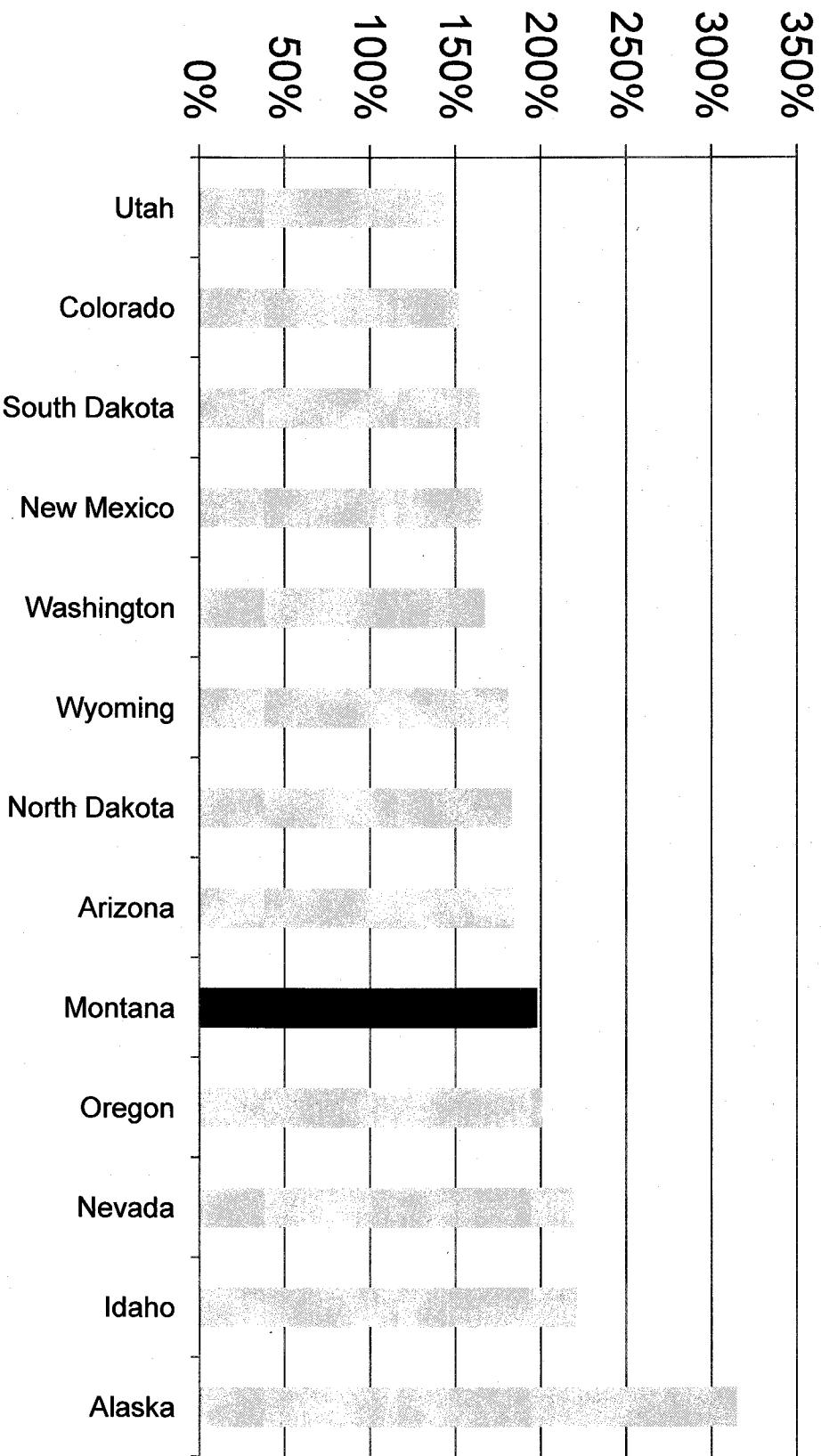


105

Medical costs on Permanent Partial Disability claims in Montana are double that of other states.

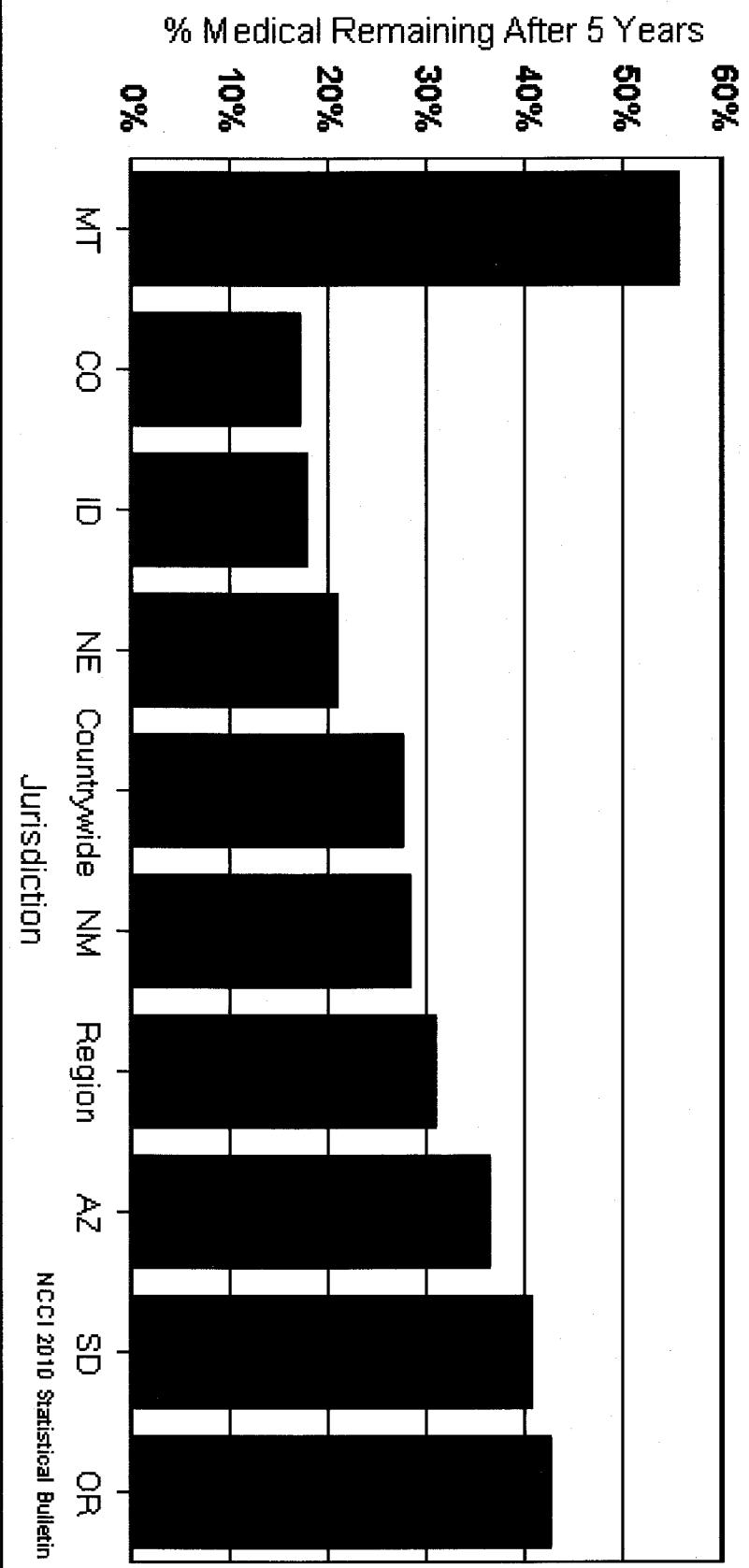
Workers Comp Medical Fee Schedules

Percent of Medicare



Workers Compensation Research Institute
Workers' Compensation Over Medicare, December 2009

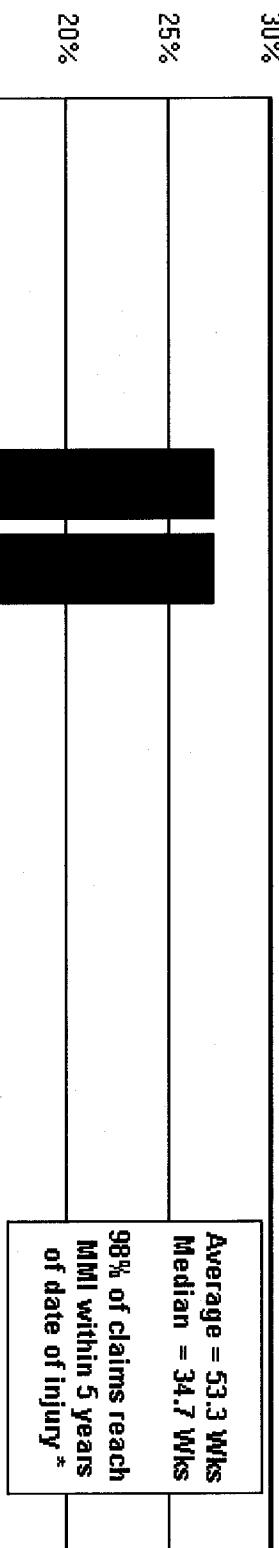
Medical Durations



Montana's medical durations are far higher when compared to other states.
In Montana we still have 55% of the medical dollars to be paid after 5 years.

Duration to Maximum Medical Improvement

MMI on Primary Body Part



* Latest MMI date - long MMI durations likely reflect multiple MMI episodes

Summary of Primary Cost Drivers

What is....

- The duration of medical benefits paid on Permanent Partial Disability (PPD)
- Frequency of PPD claims

Components of the LMAC Bill

LMAC Concepts

- Course and Scope
- Settlement of future medical benefits
- Stay at Work/Return to Work
- Retroactive payment for waiting period
- Increase in PPD weeks to 400
- Require adoption of rules for medical utilization and treatment guidelines

Legislative Proposals - Medical

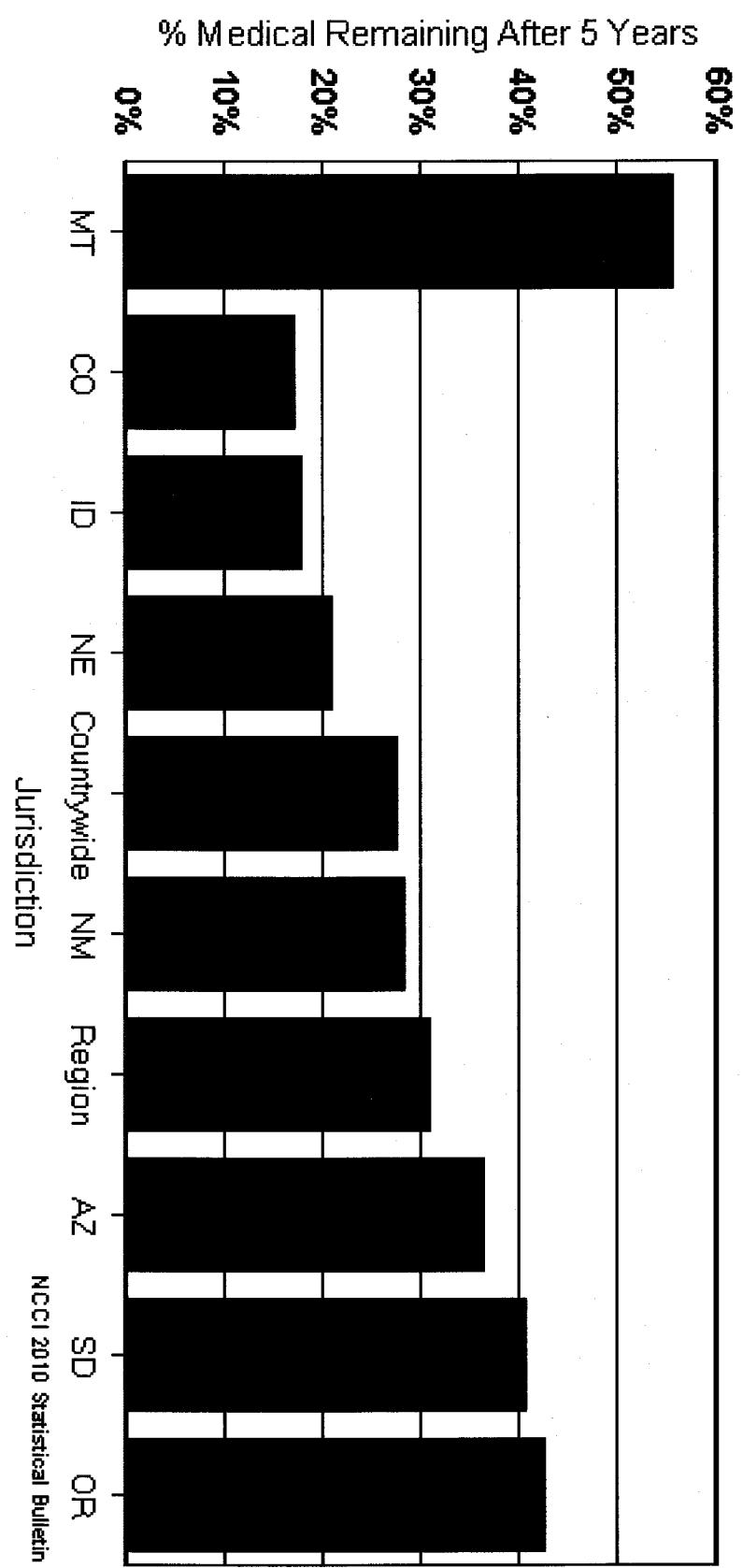
Provide for insurer designation of treating physician

- Physicians have option of being a treating physician or a non-treating physician
- Treating physicians will be responsible for providing timely information on claims
- Fee schedule for medical treatment reimbursement increased for treating physicians and decreased for non-treating physicians

Medical Issues

- Surgeons - Hassle factor
 - 10% decrease
- GP/Treating Physicians
 - 10% increase

Medical Durations



Montana's medical durations are far higher when compared to other states.
In Montana we still have 55% of the medical dollars to be paid after 5 years.

Legislative Proposals-Medical

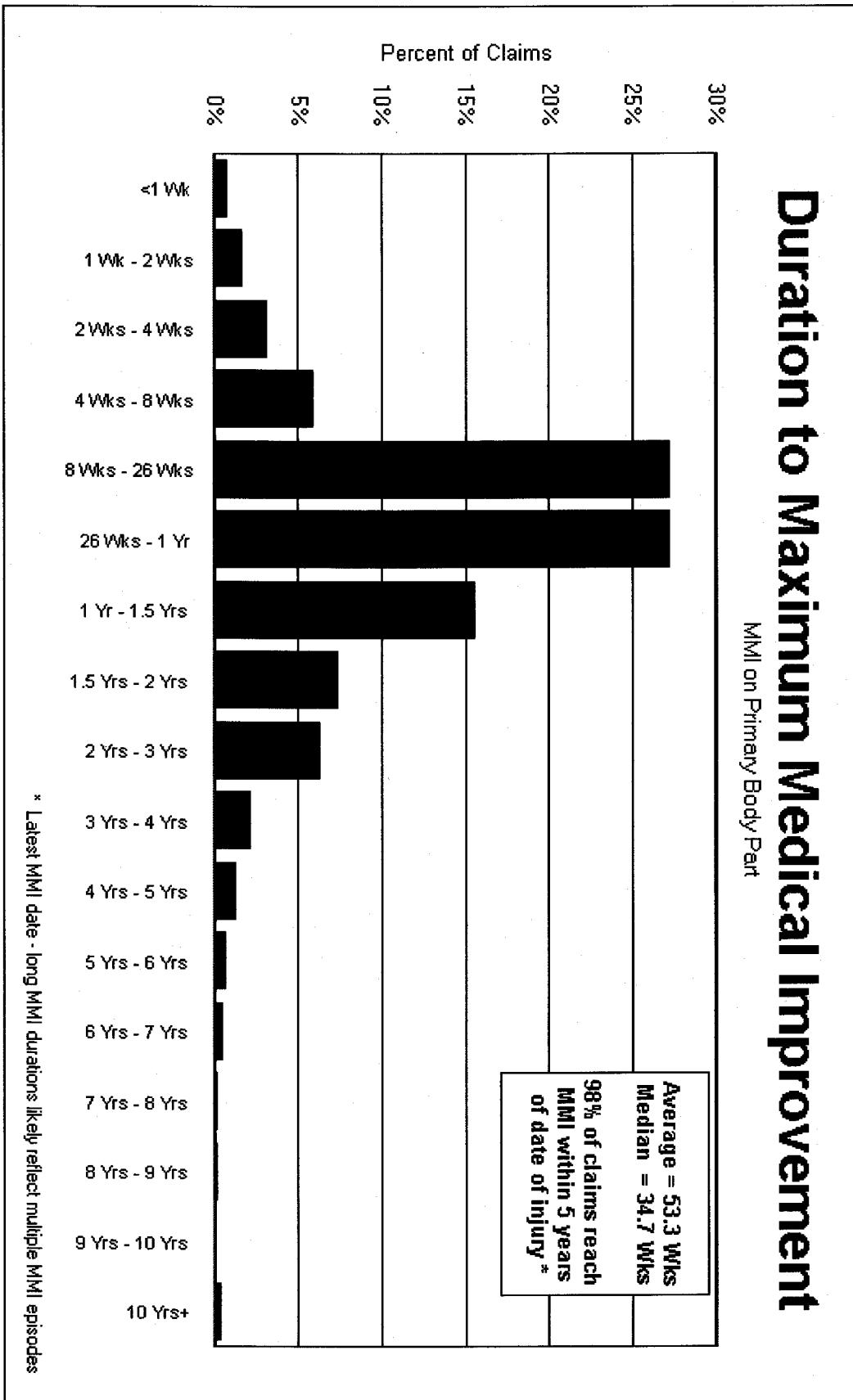
Provide for Closure of Medical Benefits

- Close medical benefits on all claims 60 months after the date of injury, or the date of diagnosis for occupational diseases, including pharmaceuticals
- Does not include Permanent Totals and prosthetics

Duration to Maximum Medical Improvement

MMI on Primary Body Part

Average = 53.3 Wks
Median = 34.7 Wks
98% of claims reach
MMI within 5 years
of date of injury *



Legislative Proposals - Medical

- Provide for a medical panel to review reopening requests
- Requests for re-opening limited to surgery to allow a worker to continue to work
- Two-year extension if reopened

Legislative Proposals-PPD

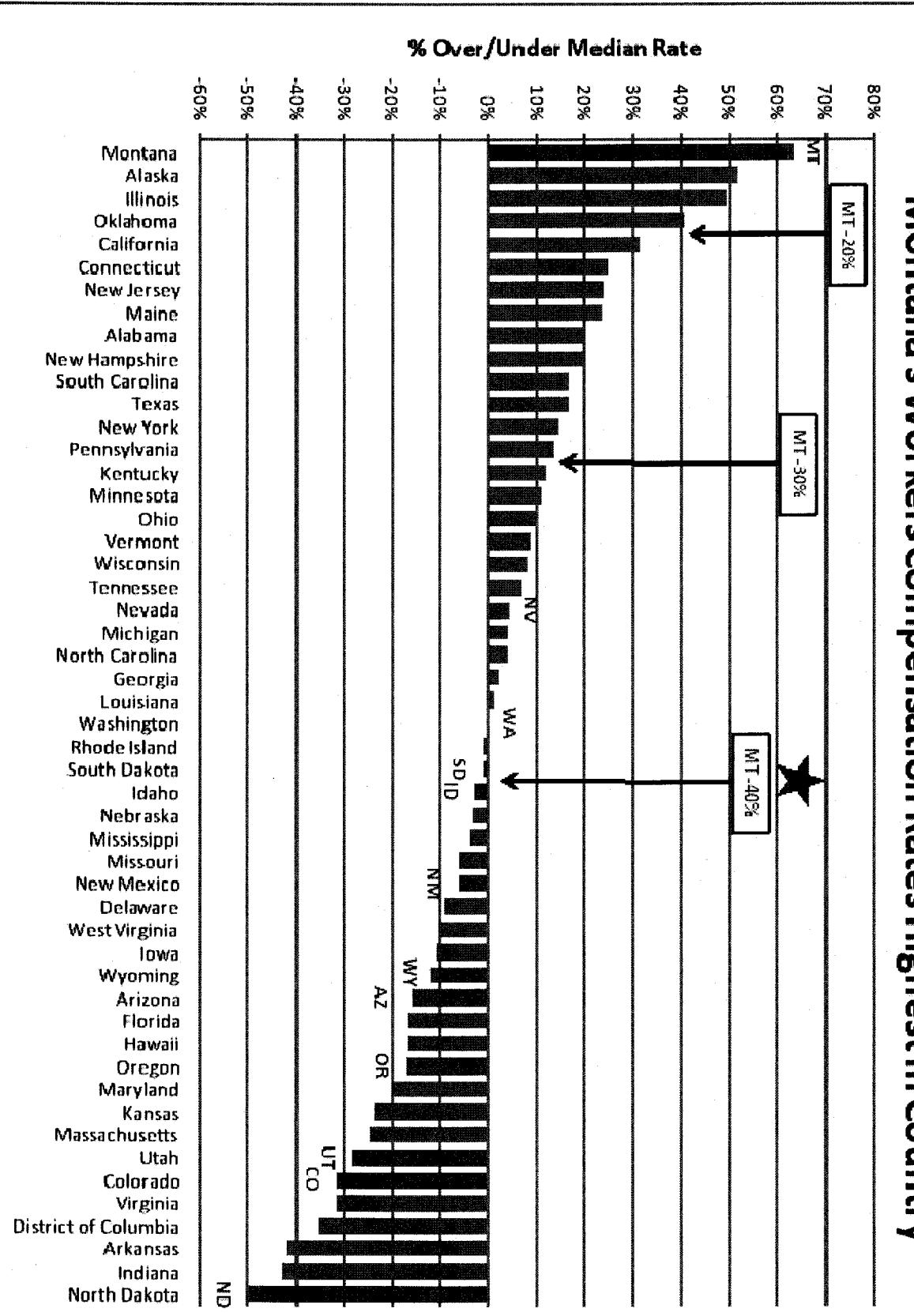
Permanent Partial Disability (PPD) Awards (Indemnity and/or Wage Loss Benefit)

- To be eligible for payment of the Impairment Rating (IR) and other PPD benefits
- Requires IR of Class 2 or greater; and
- Wage loss.

Legislative Proposals-Benefit Increases

- Increase number of PPD weeks from 375 to 400
- Retroactive Temporary Total Disability payment for 4 day waiting period after 21 days of wage loss

Montana's Workers Compensation Rates Highest In Country



NCCI Pricing LC 305

Total System Costs (NCCI) \$412 million

Assumed effective July 1, 2011

<u>Provision</u>	<u>Low</u>	<u>Mid</u>	<u>High</u>
Permanent Partial Awards	-3.4%	-5.5%	-7.5%
Permanent Partial Maximum Weeks	1.0%	0.9%	0.8%
Termination of Medical Benefits	-14.4%	-18.9%	-23.3%
Retroactive TTD Benefits	0.4%	0.4%	0.3%
Choice of Physician	-4.4%	-9.4%	-14.3%
Physician Reimbursement	<u>0.1%</u>	<u>0.0%</u>	<u>-0.1%</u>
 Total Change ^a	 -20.7%	 -32.4%	 -44.1%
Total Savings	\$84 million	\$134 million	\$183 million

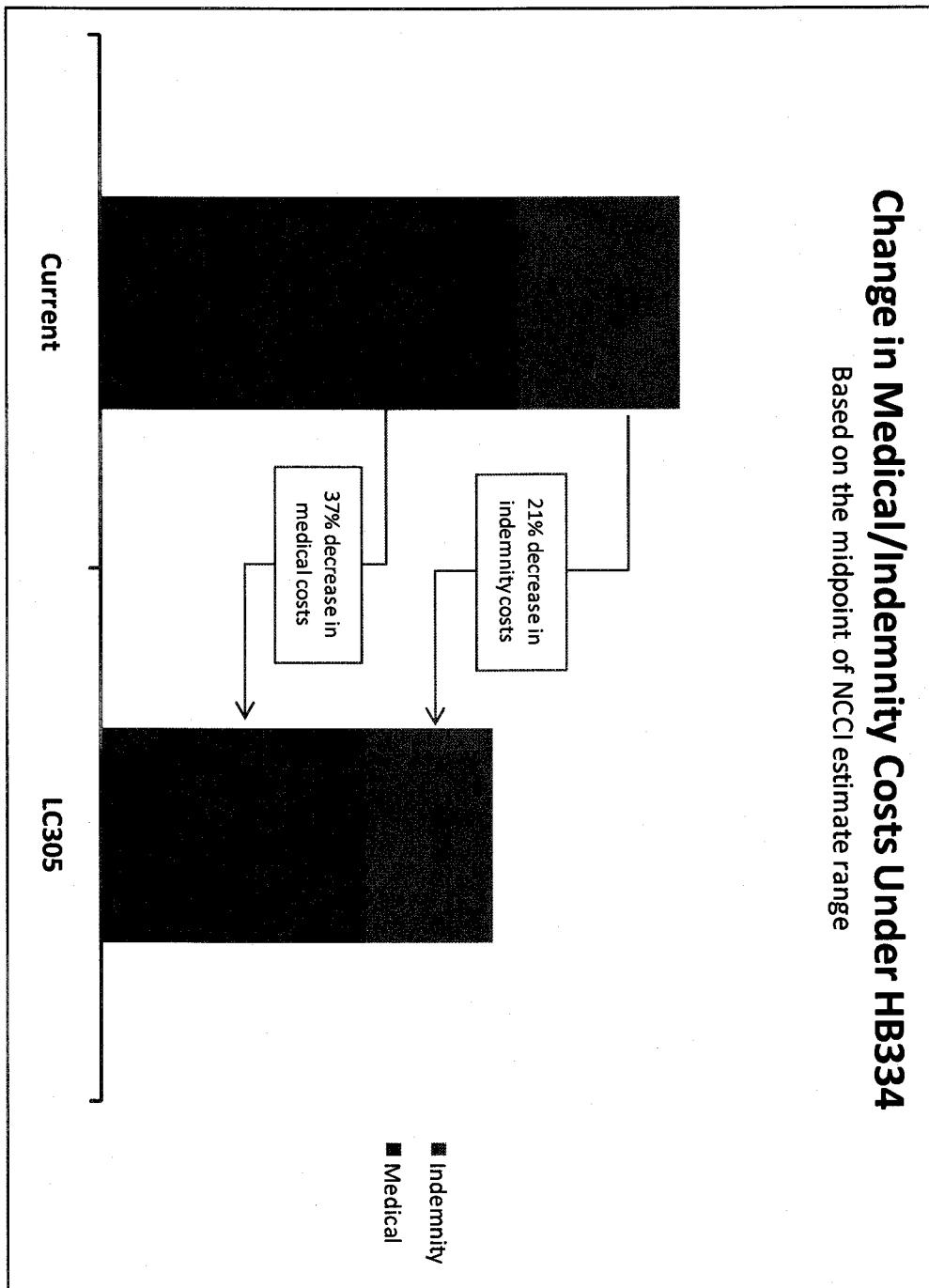
Provisions Inestimable by NCCI

- Definition of Course & Scope
- Medical Settlement
- Treatment Guidelines

^a NCCI estimated each provision in isolation without considering interactions between the various components. The overall impact on the loss-cost filing may differ from a simple addition of the individual impacts shown above.

Change in Medical/Indemnity Costs Under HB334

Based on the midpoint of NCCI estimate range



8. Course and Scope
- b. Addresses course of employment when on breaks or attending recreational activities
 - a. Provides for same language as SB 371 from 2009 session

7. Stay at Work/Return to Work
- iii. Services may be provided by insurer or rehabilitation counselor
 - i. Insurer to assist in return to same or modified job
 - ii. Insurer not returned to work for time of injury employer within 10 days after receipt of claim by insurer
 - a. Provide that insurer must provide Stay at Work/Return to Work services if worker has not returned to work for time of injury employer within 10 days after receipt of claim by insurer

6. Benefit Increases
- b. Retroactive Temporary Total payment for 4 day waiting period after 21 days of wage loss
 - a. Increase number of Permanent Partial Disability Weeks from 375 to 400

5. Utilization and Treatment Guidelines
- d. Provides for annual review of guidelines by DOL providers
 - c. Provides for modification of language to address standard of care concern of medical providers
 - b. Provide that a medical director must be hired (currently states may)
 - a. Provide that DOL shall adopt rules to implement (currently states may)

4. Settle Medical Benefits
- i. Provide for retroactivity to all dates of injury as procedural in nature currently settle only disputed medical benefits
 - ii. The ability for an insurer and worker to agree to settle nondisputed medical benefits (may

LMAC Concepts:

3. Permanent Partial Disability
- i. Apply retroactively to Jan. 1, 2008 (date began using 6th Edition)
 - b. Use 6th Guide to impairments - set requirement in law (currently states use latest (age, education, physical restrictions))
 - a. Require Class 2 (moderate) or more impairment rating to receive PPD benefits including payment of the impairment rating to receive PPD benefits
2. Choice of physician
- a. Provide that insurer designates the "treating physician" (currently worker has initial choice subject to managed care referral)
 - b. Medical providers can agree to be the "treating physician" (with requirements to coordinate treatment, and provide timely determinations/information)
 - c. Once a treating physician is designated and has agreed to that status, all other physicians providing health care providers will be considered non-treating physicians (including other health care providers)
 - d. Rembursement would vary based on status: Treating physician - 110% of fee schedule, all other health care providers - 90% of fee schedule; initial/emergency
1. Closure of medical benefits 60 months from the date of injury or date of diagnosis of OD
- a. Provides for a definition of "directly resulting" to address liability for related and subsequent conditions and *Hert* decision
 - b. Provides for a medical panel to review requests to reopen medical benefits
 - i. In the case of surgery to maintain employment